

**REQUEST FOR PROPOSALS
FOR
PROPERTY MANAGEMENT SERVICES**

**KRS Perimeter Park West, Inc.
1260 Louisville Road
Frankfort, Kentucky 40601**

June 2009

PART I

Section 1

Purpose, General Information and Bidders Minimum Qualifications

A. Purpose of Document

This Request for Proposals (“RFP”) is being issued to enable KRS Perimeter Park West, Inc. (“PPW”) to obtain property management services as more fully described below.

B. About the Issuer

This RFP is being issued by PPW. PPW is a Kentucky corporation that holds title to real property known as Perimeter Park West for and on behalf of Kentucky Retirement Systems (“KRS”). KRS is the sole stockholder of PPW and is a state agency that administers pension plans for state and local employees. The only entity and individuals having the authority to obligate PPW based on information received in response to this RFP is the Board of Directors of PPW and its Agents.

C. Reservation of Rights and Limitation of Obligations

PPW reserves the right to withdraw this RFP at any time and for any reason. PPW also reserves the right to reject any and all proposals, in whole or in part, received as a result of this request, due to noncompliance with the requirements of this RFP or for any other reason.

Receipt of information by PPW or submission of information to PPW confers no rights upon the bidder nor obligates PPW in any manner. PPW is not obligated to select any firm submitting a response for property management services.

D. Disclosure of Proposal Content; Proposal Costs

Any submissions become the property of PPW and, upon completion of the search process, the contents thereof shall be available for inspection under the Kentucky Open Records Act. Costs for developing the information are solely the responsibility of the bidder. PPW shall provide no reimbursement for those costs.

PPW may ask bidders to participate in a telephonic or in-person interview, or make a presentation to its Board of Directors. Any costs associated with the interview or presentation shall be the responsibility of the bidder and shall in no way be billable to PPW.

E. Minimum Qualifications

To be considered as the Property Manager for PPW, a firm must meet all of the following qualifications:

1. Provide the bidder's name, address and telephone number.
2. Provide summary information regarding the services offered by the bidder as well as the bidder's qualifications and experience.
3. Provide references, including a contact person and telephone number.
4. Have a minimum of five (5) years of property management experience involving commercial office properties.
5. Have liability insurance in force at the time the proposal is made and throughout the term of the contract.
6. The firm must not require a limitation on liability for negligence.
7. The firm must provide its own work facilities and support staff to provide the required services, except for an employee who must be located onsite at the PPW property during normal work hours for the duration of the term of the Contract.

Section II

Overview of Properties

Perimeter Park West consists of land and two office buildings located at 1260 and 1270 Louisville Road in Frankfort, Kentucky that are owned by PPW. The property to be managed ("Property") is described as follows:

1. Building #1 is a one story office building located at 1260 Louisville Road consisting of approximately 50,501 square feet and is located on 5.11 acres of land that is mostly asphalt/concrete service areas, parking and walkways with some landscaped and green space areas.
2. Building #2 is a one story office building located at 1270 Louisville Road consisting of approximately 38,300 square feet and is located on 3.37 acres of land that is mostly asphalt/concrete service areas, parking and walkways with some landscaped and green space areas.

Buildings #1 and #2 share a total of 301 parking spaces. KRS is the current tenant of Buildings #1 and #2 under a lease agreement that is effective through June 30, 2013. KRS employs approximately 260 employees who work in Buildings #1 and #2.

Section III

Statement of Work and Proposed Fees

A. General Nature of Property Management Services to be Provided.

1. Exercise professional competence in management of the Property at a standard not less than that of similar first class buildings in the area in which the Property is located.
2. Make available to PPW the advice, expertise, and judgment of the organization relating to the management, operation, maintenance, repair and improvement of the Property.
3. Manage, maintain, and operate the Property in compliance with:
 - a. all laws, orders, rules and regulations of all federal, state, county, municipal, and other governmental entities having jurisdiction over the Property;
 - b. the provision(s) of any mortgage(s) as the same shall affect the use, occupancy and maintenance of the Property;
 - c. the provision of all insurance policies as the same shall affect the Property;
 - d. all leases, subleases, licenses, concession, tenancy and other agreements affecting the use or occupancy of the Property; and
 - e. all applicable partnership agreements, joint venture agreements, trust agreements and participation agreements.
4. Develop an annual proposed property management budget, submit the proposed budget through PPW's Agents to the PPW Board of Directors for approval, and implement and adhere to the approved property management budget. The budget shall include estimated receipts, ordinary costs and expenses, and anticipated extraordinary expenses.
5. Exercise control over, expend, or otherwise transfer rents and other sums received on behalf of PPW including collecting rents, paying expenses, and forwarding remainder to PPW.
6. Establish procedures for the prompt receipt, recordation, investigation, and handling of tenant complaints and requests.
7. Establish procedures for the collection and receipt of rent and all other charges due PPW under the building leases.

8. Maintain a trust account for the operating expenses of the property; a corporate account for purposes of transferring excess funds not needed for operating expenses to PPW; a segregated security deposit account for security deposits, and other accounts as necessary in the administration of the property management duties.
9. Maintain the Property and all of its elements and systems at a standard acceptable to the PPW that is not less than the standard for other comparable buildings.
10. Enter into contracts for services, as approved by PPW, and employ and supervise personnel for the management, operation, maintenance and repair of the property.
11. Purchase supplies, equipment, and services necessary for the maintenance and operation of the property.
12. Keep records of the operation and maintenance of the Property.
13. Maintain complete books, records and accounts that accurately reflect all revenues earned, funds received, expenses incurred, and disbursements made; and provide monthly and year-end financial statements to PPW.
14. Obtain and maintain insurance on the property as required by PPW.
15. Maintain an employee on-site during normal business hours and have an employee available on a 24 hour, 7 day a week basis to respond to emergencies throughout the term of the Contract.

B. Property Management Fee Proposal

The proposed fee for performance of the property management services set forth in this RFP shall be made in the form of a percentage of gross revenues generated from lease payments made for the lease of properties at 1260 and 1270 Louisville Road in accordance with the Lease Agreement attached hereto as Appendix 1 and any subsequent lease agreement.

Section IV

Administrative, Proposal Submission and Evaluation Information

A. Inquiries

Contact with PPW, except as specified below, is prohibited. All inquiries regarding this RFP shall be made in writing to:

William A. Thielen
Agent, KRS Perimeter Park West, Inc.
1260 Louisville Road
Frankfort, KY 40601
FAX: (502) 696-8801

Or by e-mail to:

bill.thielen@kyret.com

No verbal representations made or assumed to be made during any discussions held between representatives of potential bidders and any authorized agents of PPW are binding. Any questions concerning this RFP should be addressed in writing to William A. Thielen by e-mail or via fax at (502) 696-8801 no later than the close of business on July 6, 2009. All responses to questions will be posted on the KRS website no later than July 13, 2009.

D. Mandatory Bidder's Conference

A mandatory bidder's conference will be held at 1270 Louisville Road, Frankfort, Kentucky, at 9:00 a.m. on June 29, 2009. The conference will be held in the Board Room at the offices of Kentucky Retirement Systems and will be held for the purpose of answering bidder questions and to conduct a site visit of 1260 and 1270 Louisville Road for all interested bidders. Failure to attend the bidder's conference will disqualify a firm from consideration.

E. Submission of Proposals

Responses to this RFP shall be filed at the office of William A. Thielen, Agent for KRS Perimeter Park West, Inc., 1260 Louisville Road, Frankfort, Kentucky 40601, by 4:30 p.m. (ET), July 20, 2009. At its discretion after review of the responses to this RFP, PPW may make further inquiries of a bidder.

F. Proposer's Signature

The offer made by the proposal, and any clarifications to that proposal, shall be signed by an officer of the offering firm or a designated agent empowered to bind the firm in a contract.

D. Evaluation of Proposals

An Evaluation Committee (Committee) has been established to evaluate and score proposals received, select finalist firms, conduct finalist interviews (if desirable) and recommend a specific finalist firm to the PPW Board of Directors. This Committee is composed of the KRS Executive Director, Chief Operations Officer, General Counsel, Chief Benefits Officer and Chief Investment Officer. Finalist firms may be interviewed at the KRS office and on-site due diligence visits to finalists' offices may be conducted. The determination of which firms to interview and whether on-site visits are necessary is at the sole discretion of the Committee. The PPW Board of Directors will make the final selection of a property manager. The Board may consider any factors it deems necessary and proper that provide the best value to PPW.

C. Evaluation Criteria

Proposals shall be evaluated by the Committee through a consensus scoring process utilizing the following weights:

1. The firm's organization, staffing and resources 35%
2. The firm's relevant experience 35%
3. The firm's fee proposal 30%

D. The Contract

The Contract shall be a combination of the specifications, terms and conditions of this RFP, any written clarifications or changes made to this RFP, the offer contained in the successful proposal, and any additional contractual terms and conditions that may be negotiated and mutually agreed upon in writing by the parties. A proposed contract is included as PART II of this RFP.

E. Term of the Contract

The initial Contract shall be for a three (3) year period commencing August 1, 2009, and ending July 31, 2012, and shall be eligible for three (3) annual renewals thereafter, subject to mutual agreement. The resulting Contract may be terminated at PPW's discretion, with or without cause, after thirty (30) days written notice.

F. Schedule of Events

- June 15, 2009 RFP is issued
- June 29, 2009 Mandatory bidders conference and site visit
- July 6, 2009 INQUIRIES – Inquires and requests for interpretation or clarification of the RFP from bidders will be accepted only in writing, which may be mailed, emailed or faxed, and only if received no later than 4:30 p.m. EDT, July 6, 2009. Send requests to:

Attn: William A. Thielen
Perimeter Park West
1260 Louisville Road
Frankfort, KY 4060
Email: bill.thielen@kyret.com
Fax: 502-696-8801

- July 13 , 2009 **RESPONSE TO INQUIRIES** – Responses to and addenda resulting from requests for interpretation shall be posted on the KRS website by 4:30 p.m. EDT, July 13, 2009.
- July 20, 2009 **PROPOSALS DUE** – Proposals must be received at 1260 Louisville Road by 4:30 p.m. EDT, July 20, 2009.
- July 27, 2009 **FINALIST INTERVIEWS** – Finalist interviews, if any are conducted, will be held the week of July 27, 2009.
- July 31, 2009 **ANNOUNCEMENT OF SELECTION** – PPW will notify all firms that submitted a proposal of its selection on July 31, 2009, which shall be subject to successful Contract negotiation with the selected firm.

PART II
Proposed
PROPERTY MANAGEMENT AGREEMENT
For Perimeter Park West

THIS AGREEMENT made as of the ____ day of _____, 2009 by and between KRS Perimeter Park West, Inc., a Kentucky non-profit corporation ("PPW" or "Owner), and _____ ("Manager").

WHEREAS, PPW is the owner of certain commercial real estate located in Frankfort, Kentucky and commonly known as Perimeter Park West as more particularly described in Exhibit "A" hereto (the "Property"); and

WHEREAS, Manager is a professional real estate management company experienced in all phases of the management of commercial real estate; and

WHEREAS, Owner wishes to retain Manager to manage the Property, and Manager wishes to accept such retention, on the terms and conditions contained herein;

THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, Owner hereby retains Manager to rent, operate, manage, and direct the operations of the Property, and Manager hereby accepts such retention, on the following terms and conditions:

1. Definitions

A. Impositions

All taxes, assessments, general and special, and all other governmental charges of any kind and nature whatsoever, which are assessed, imposed or levied upon the Property or become due and payable and a lien upon the Property or any part thereof.

B. Owner's Funds

All funds received by Manager from Owner or funds due Owner from the Trust Account.

C. Schedule of Minimum Rents

The schedule of minimum rentals and maximum allowable concessions with respect to

tenant space, parking storage areas and other rentable space included in the Property Budget most recently approved by the Owner.

D. Trust Account(s)

The bank account(s) of Owner, into which Manager is required to deposit Owner's Funds and Gross Rentals, and from which Manager is to pay certain expenses and make certain transfers of funds in accordance with this Agreement.

2. Operation of the Property

A. Manager shall, at the expense of the Owner:

- (i) Use its best efforts to perform all covenants and agreements contained in this Agreement in a careful and diligent manner and shall exercise its best professional competence in managing the Property at a standard not less than that of similar first class buildings in the area in which the Property is located.
- (ii) Make available to Owner the advice, expertise, and judgment of its organization relating to the management, operation, maintenance, repair and improvement of the Property.
- (iii) Manage, maintain and operate the Property in compliance with (1) all laws, orders, rules and regulations (collectively, the "Law") of all federal, state, county, municipal and other governmental entities having jurisdiction over the Property; (2) the provision of any mortgagees (the "Mortgage") as the same shall affect the use, occupancy and maintenance of the Property; (3) the provision of all insurance policies (the "Insurance") as the same shall affect the Property; (4) all leases, subleases, licenses, concession, tenancy and other agreements affecting the use or occupancy of the Property (collectively, the "Building Leases"), provided that copies of the Mortgage documents, Insurance Policies and Building Leases are made available to Manager for this purpose; (5) all applicable partnership agreements, joint venture agreements, trust agreements and participation agreements.
- (iv) On behalf of Owner and Owner, take such action as may be necessary to comply with the items above and with the Building Leases to the extent of funds available.
- (v) Use its best efforts to implement the property budget described in Paragraph 7 hereof ("Property Budget") and shall exercise control over and shall expend or otherwise transfer rents and other sums received on behalf of Owner in accordance with the terms hereof.

(vi) Apply sound pro-active administrative, accounting, budgeting, operational, purchasing and personnel policies and practices in such a manner as should maximize the revenues, profitability and value of the Property consistent with the terms and conditions of this Agreement.

(vii) Supervise the services of Manager's employee(s) at the Property.

B. Nothing contained in this Management Agreement shall be construed as an exclusive agreement which might prohibit Manager from entering into and performing other real property management agreements to manage other real property.

c. Notwithstanding anything to the foregoing, Owner shall have the right to advise, direct, consult with and supervise the Manager in the operation and management of the Property.

3. Leasing the Property - Intentionally Deleted

4. Tenant Relations

Manager shall:

A. Establish procedures for the prompt receipt, recordation, investigation and handling of tenant complaints and requests;

B. Request any and all allegations by tenants of defaults by Landlord under the Building Leases to be made in writing.

5. Collection of Income; Defaults; Legal Action

A. Manager shall:

(i) Establish procedures for the collection and receipt of rent and all other charges due Owner under and in accordance with the Building Leases, including procedures for reminding tenants of overdue rent;

(ii) As required, and at the expense of Owner:

(a) Engage attorneys experienced in the field of landlord-tenant relations to prosecute defaults under leases and tenancy agreements, and

(b) Take any such other action as may be directed or required by Owner.

- B. Manager shall cause bills to be sent to all tenants in default and to all tenants, if any, as to which Owner has approved any agreement for the deferment of rent or other income due Owner for the use or occupancy of the Property, to show the amount billed or received as payment on account, and the balance, if any, deferred and still due.

6. Receipts

- A. All rent and other monies (except security deposits that are required under the terms of any Building Lease or applicable law to be held in a segregated account) with respect to the operation of the Property received by Manager from whatever source (the "Gross Rentals"), shall, after receipt by Manager, be deposited by Manager prior to the close of business of the next succeeding business day, in trust for the Property, in a segregated operating account ("Trust Account"), in a bank whose deposits are insured by the Federal Deposit Insurance Corporation. Any excess funds in the Trust Account not immediately required for the operation of the Property, after setting aside appropriate reserves as may be approved by Owner, shall be remitted to the Owner. Funds may be transferred to other accounts for the benefit of the Owner ("Other Accounts") and Manager shall immediately notify Owner of the identity and location of any Other Accounts. Manager may endorse, for deposit only to the Trust Account (and Other Accounts if any), any and all checks or other instruments drawn or made to the order of Owner. Upon request, Owner shall furnish the depository with a duly executed and appropriate authorization which empowers Manager to make such endorsement. All Gross Rentals collected by Manager shall be received, held and disbursed by Manager for the account of Owner. Manager shall not change Trust Accounts without prior notice to Owner
- B. Manager shall deposit into a segregated account (hereinafter referred to as the "Security Deposit Account"), after receipt thereof by Manager, all security deposits which are required under the terms of any Building Lease or applicable law to be held in a segregated account. Manager may utilize the security deposits received under any Building Lease for project working capital unless such Building Lease or applicable law prohibits this practice. If any Building Lease requires the security deposit or any other payment to be held in an interest bearing account, Manager shall so comply. Interest Payments will be sent directly to tenant by the financial institution holding said deposit in accordance with its normal policy. Manager shall hold all security deposits received in a form other than cash (e.g. letters of credit or certificates of deposit) in a safe and secure location. Manager may from time to time withdraw funds from any Security Deposit Account (and convert any non-cash security deposits to cash) and deposit the same in the Trust Account (or other Accounts) in accordance with the terms of the Building Lease(s) and applicable law.
- C. Manager shall not commingle Gross Rentals, Owner's Funds or security deposits with any funds or other property of Manager. Upon termination of services, manager shall forthwith remit (1) the balance of the Trust Account(s) (and all other Accounts) to Owner and (2) any other Owner's Funds in the manner directed by Owner.

D. Manager shall remit to Owner for Owner's account any funds (after appropriate reserves and expenditures as may be approved by Owner) available from the Trust Account and the Other Account(s).

E. Any checks issued by Manager on behalf of Owner shall require the signatures of individuals who have been authorized by an executive officer of Owner.

7. Property Budget

Manager shall prepare a Property Budget for Owner as hereinafter provided:

A. On or before October 1st of each year a Property Budget will be prepared and delivered to Owner. The Property Budget shall be in the Manager's standard format, showing for the next calendar year, the revenues estimated to be derived from and the expenses estimated to be incurred in the operation of the Property during the next calendar year, as provided in subparagraph (B) below (the "Proposed Property Budget").

B. The Proposed Property Budget shall include:

(i) A statement of all revenues estimated to be derived from the Property under all Building Leases, all sums receivable in lieu thereof including, but not limited to, insurance proceeds payable as a result of business interruption and damages payable in lieu of rent, and all advances, whether pursuant to Paragraph 10 hereof or otherwise estimated by the Manager to be required to balance the budget ("Estimated Gross Receipts"); and

(ii) A statement of the following estimated costs and expenses regularly incurred in building operation ("Estimated Property Expenses"):

(a) All costs and expenses to be incurred by or on behalf of Owner in connection with the management, operation, maintenance or repair of the Property, including, but not limited to:

1) All sums payable under building service contracts, including, but not limited to, agreements related to air conditioning and heating, general cleaning, utilities, elevator servicing, refuse removal, grounds and plant maintenance, parking services, pest control, security, telephone, window cleaning, and similar services; and

2) All other charges, costs and expenses of a regular nature for services and supplies provided to or for the benefit of the Property and in the normal operation thereof;

(b) Periodic payments required for debt service of Mortgages which may encumber the Property from time to time;

(c) The installments of impositions and insurance premiums as may be required by Paragraph 11 hereof.

(iii) A statement of the following costs and expenses of an extraordinary nature ("Extraordinary Expenses"):

(a) Estimated costs and expenses to be incurred in connection with the provision of tenant improvements or any other capital improvements;

(b) Estimated sums payable as commission, including commissions which may be paid to outside or cooperating brokers, or other charges of a similar nature anticipated to be paid in connection with the procurement of revenue from the Property;

(c) Projected costs due to lack of reimbursement for claims under any policy of insurance covering the Property or cost arising from or under any guarantee, warranty, bond or other contract relating to the Property as may be known at the time of budgeting;

(d) Costs and expenses to be incurred at the direction of the holder of any Mortgage affecting the Property or the issuer of the Insurance covering the Property; as the Mortgage and such Insurance, by contractual agreement, may require and as approved by Owner;

(e) Estimated costs and expenses, to the extent known at time of budgeting, to be incurred pursuant to the order or direction of any state, federal or municipal authority having jurisdiction.

(iv) Schedule of Minimum Rents.

C. Owner and Owner agree that, within thirty (30) days after delivery of the Proposed Property Budget to Owner, Owner shall notify Manager of any comments Owner may have with respect to the Proposed Property Budget. Manager shall revise the proposed budget in response to any comments so received and shall resubmit the revised proposed budget to Owner within fifteen (15) days after receipt of such comments.

D. In the event that the Proposed Property Budget or any portion thereof shall not have had any action taken by Owner as provided above then, after 30 days from delivery, the Proposed Property Budget shall be deemed approved (the "Property Budget").

E. If at any time and for any reason Manager anticipates that:

(i) Aggregate Property Expenses for any consecutive three-month period will exceed Property Expenses in the approved Budget for that period

by \$5,000.00; or

- (ii) Extraordinary Expenses not provided for in the Property Budget will exceed \$5,000.00 then Manager shall notify Owner of the change and adjust the property forecast accordingly.

8. Disbursements

- A. During each month of the term hereof, Manager shall pay from the Trust Account or Other Account(s) those sums due with respect to Estimated Property Expenses contained in the Property Budget and those Extraordinary Expenses in the Property Budget without further consent of the Owner, and such further sums as Owner shall have directed Manager to pay from Gross Rentals for other Extraordinary or Property Expenses in accordance with Paragraph 7E hereof
- B. Manager shall pay any increased expenses subsequent to submittal of the Property Budget incurred for electricity, gas (or other fuel), water and for other utilities as and when such expense becomes due and payable whether or not such expenses exceed the amounts in the Property Budget as submitted; provided, notice of such increased expenses shall be provided to Owner in Manager's next monthly report.
- C. Anything to the contrary notwithstanding, this Paragraph 8 shall not be deemed to prohibit Manager from incurring and paying an expense:
 - (i) If any expense is incurred for emergency work as provided in Paragraph 14C hereof; or
 - (ii) If and to the extent any expense is expressly authorized in writing by Owner.

9. Special Claims and Costs

If Owner elects, Manager will in the manner directed in writing:

- A. Attempt to adjust, compromise, defend, and settle any claim and cause the repair or cure of any defect or damage which, according to Manager may result in loss, damage, cost or expense to Owner;
- B. Send bills, invoices and other claims for payment of all or a portion of such costs and expenses to Owner for payment of all or a portion of such costs and expenses.

10. Advances for Expenses

- A. If, during any month when this Agreement shall be in force, it shall appear that the funds in the Trust Account and Other Account(s) are or will be insufficient to pay Property Expenses and such Extraordinary Expenses or other costs as such items become due, Manager shall promptly notify Owner of that event and of the amount of the actual and anticipated deficiency.
- B. Promptly upon request by Manager, Owner shall advance to Manager from Owner's Account, such funds as are necessary to pay said items as they become due.

11. Lender Impounds

Manager shall deposit with Mortgagee(s) of the Property as required by the Mortgage documents, if any, such sums as may be required for:

- A. Estimated aggregate annual insurance premiums on all policies of insurance on the Property, and
- B. Any other estimated annual impositions required by or pursuant to the terms of the Mortgage documents.

12. Fidelity Bonds

Manager and all employees of Manager who may handle or are responsible for the handling of receipts or disbursements shall be bonded by a fidelity bond in the coverage amount of \$300,000.00 pursuant to section 412 of the Employees Retirement Income Security Act ("ERISA"), indemnifying Owner, as obliged against loss, theft, embezzlement or other fraudulent acts on the part of the Manager or Manager's employees and said fidelity bonds shall be at the expense of the Property.

13. Maintenance of the Property

- A. Manager shall cause the Property and all of its elements and systems to be maintained at a standard acceptable to Owner and not less than that of similar buildings. In connection therewith, Manager shall contract on the most favorable terms, quality and service considered, in the name and at the expense of Owner, for all services and utilities necessary for the efficient maintenance and operation of the Property, as contemplated by the Property Budget: provided, however, that (1) Manager shall not enter into any contract on behalf of Owner requiring payment, in the aggregate, of more than \$5,000.00 without the prior written approval and consent of Owner unless same is already contemplated in the. Property Budget, and then, only if Owner has furnished the

necessary funds to Manager, or if said funds are available from the Trust Account and other Account(s), and (2) Manager shall not enter into any contract requiring payment by Owner for a term longer than five (5) years without the consent of Owner. All work for the maintenance and repair of the Property shall be performed by independent contractor, or employees of Manager.

- B. Manager shall hire, discharge and supervise all employees required for the management, operation, maintenance and repair of the Property. Such employees shall be employees of Manager but all expenses incurred in connection with the employment of such employees (including their salary and benefits) shall be borne by the Manager.
- C. Manager shall, at the expense of the Property, purchase such supplies, equipment and services as are necessary for the maintenance and operation of the Property; provided, however, that no disbursement for this purpose shall exceed the annual amount in the Property Budget, subject to Paragraph 7E, and provided the necessary funds are available to Manager from the Trust Account and the other Account(s). Emergency repairs involving manifest danger to life or the Property, or immediately necessary for the preservation and safety of the Property or for the safety of its tenants, or required to avoid the suspension of any necessary service to the Property, may be made by Manager irrespective of the cost limitation imposed by this Paragraph or Paragraph 7E.
- D. Manager may contract with third parties for the construction of improvements to or the supplying of labor, materials, or other services to the Property, where required in accordance with the approved budget, subject, however, to the provisions of Paragraph 7E hereof. Any such contracts shall be on a form acceptable to Owner and all third party contractors and subcontractors shall be fully qualified to perform the work or services contracted for:
 - (i) All such work or services shall be under the control and supervision of Manager, who shall require that the same be performed:
 - (a) in a good and workmanlike manner and in accordance with such rules and regulations of the Property as promulgated from time to time;
 - (b) in accordance with all applicable laws and pursuant to any and all necessary and appropriate licenses and permits; and
 - (c) in accordance with plans and/or specifications previously approved by the Manager and, where applicable, any other appropriate party.
 - (ii) Prior to the commencement of any such work or service, Manager shall require each such third party contractor to deliver to Manager the following:

- (a) proof of financial responsibility acceptable to the Manager;
 - (b) copies of all necessary and appropriate permits and licenses;
 - (c) copies of approved plans and specifications where applicable;
 - (d) a list of all subcontractors and materialmen to be utilized in conjunction with the work or service; and
 - (e) certificates of insurance from the third party contractor and all subcontractors evidencing the existence of the insurance specified in Paragraph 16 herein.
- (iii) Prior to making any payments under any such contract for the construction or installation of improvements, Manager shall obtain:
- (a) an itemized invoice for the work completed;
 - (b) an executed contractor's affidavit on a form acceptable to Owner;
 - (c) executed partial and/or final waivers of lien from such third party contractor, all subcontractors and materialmen; and
 - (d) other documents as Manager may reasonably require.
- E. In connection with the maintenance and operation of the Property, Manager shall take all reasonable steps to enforce all maintenance, service and supply contracts, guarantees, warranties, bonds and other contractual undertakings, if any. If said enforcement requires legal action, Manager shall, at Owner's expense and with Owner's approval, engage attorneys experienced in the field of contract law.
- F. Within five (5) days after knowledge of any conditions which require maintenance or repair work at a projected cost in excess of the annual amounts authorized in the Property Budget or over \$50,000, or otherwise provided for herein, Manager shall deliver a notice thereof to Owner together with its recommendations with regard thereto.

14. Records and Reports

- A. Manager shall keep records of the operation and maintenance of the Property, including copies of all leases, contracts and agreements affecting the use and occupancy thereof. An original, executed copy of each Building Lease and any and all amendments thereto or modifications thereof shall be kept at the Manager's office at the Property.

- B. At all times during the term of this Agreement, Manager shall maintain, in accordance with Manager's sound and customary business practices or as requested by Owner, complete books, records and accounts that accurately reflect all revenues earned, funds received, expenses incurred and disbursements made in connection with Manager's duties hereunder. Said books, records and accounts shall be the property of Owner; shall be available to Owner or its designated representative, for examination, inspection, and audit at any reasonable time during usual business hours and shall be delivered to Owner or its designated agent upon termination of this Agreement.
- C. On or before the 25th day of each month, Manager shall deliver to Owner, a detailed unaudited cash basis statement, showing all revenues, receipts, expenditures and disbursement for the preceding month (the "Monthly Statement"). Each Monthly Statement shall:
- (i) Accurately reflect all revenues received, funds received, expenses and disbursements made, by relevant category of the Property Budget or, in the case of unbudgeted revenues, receipts, expenses, and disbursements, on an itemized basis;
 - (ii) Compare the amounts received and expended with the estimated receipts and expenses set forth in such Property Budget, both for the preceding month and the year-to-date; and
 - (iii) Show the balance in any Trust Account and any other Account(s) and any other information reasonably requested by Owner.
 - (iv) Be accompanied by a statement of all delinquent rentals and other charges for the use and occupancy of the Property, together with comments with regard thereto, and Manager shall have available copies of vouchers of properly receipted bills for all disbursements made by Manager during the month covered by such statement.
- D. On or before the 1st day of each August 1 during the term hereof, Manager shall furnish Owner an unaudited statement setting forth cash receipts, and cash disbursements, unpaid rent and other sums due to Owner with respect to the Property during the previous fiscal year.
- E. On or before April 1 of each year and during the term hereof, at the request of Owner and at the expense of the Property, Manager shall cause a title insurance company to search the appropriate official records to determine the existence of any mechanic's liens, judgments or other encumbrances affecting the Property and to report such findings in writing to Owner.

15. Compensation of Manager

- A. Manager shall receive a management fee which shall be calculated as ____% of the "Gross Rentals" (all rent and other monies with respect to the operation of the Property

received by the Manager from whatever source) per month, payable each month based on the preceding month's Gross Rentals. By way of example, the management fee paid in December 2009 would be calculated based on the Gross Rentals of November 2009.

16. Insurance

- A. Manager shall obtain the following types of insurance, allowing for deductibles in amounts agreeable to "the Owner .or Owner; each policy containing a lender's loss payable endorsement as required by Owner's Mortgagee(s), if any; such insurance shall be primary and not excess to or contributing with any insurance or self-insurance maintained by the Owner; such insurance shall be endorsed to require at least thirty (30) days' written notice of any material change, reduction in coverage, or cancellation; Manager shall deliver to the Owner at time of investment in the Property, certificates of insurance evidencing all policies signed by an agent of the insurance carriers; Owner shall have the right to inspect all such policies upon request:
- (i) Insurance against loss or damage to the Property (including Owner's installed tenant improvements and betterments) covered by insurance of the type now known as "all risks of physical loss" (including as deemed appropriate by Owner, the perils of earthquake, flood, collapse and transit coverage), in an amount not less than the insurable replacement cost new of the Property; such insurance to include coverage during the course of construction; with the stipulated value or agreed amount clause eliminating any co-insurance provision from such policies; with a "replacement cost endorsement"; and with not more than \$10,000.00 deductible (except for plate glass insurance on the ground floor of buildings on the Property, for which Owner may self-insure) and a deductible deemed appropriate by Owner for earthquake and flood insurance from the loss payable for any casualty (unless modified by Owner);
 - (ii) Business interruption insurance, also known as "loss of rents" insurance, in an amount not less than twelve (12) months projected income or rent from the Property;
 - (iii) Mechanical breakdown insurance, also known as "boiler and machinery insurance," covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating and air conditioning, provided the Property contains equipment of such nature, and insurance against loss of occupancy or use arising from any such breakdown, in such amounts as Manager may recommend or as Owner may further require;
 - (iv) General liability insurance, including coverage for elevators and any construction of tenant or other improvements to the Property on an occurrence basis, against claims for personal injury, death or property damage (broad form) occurring on, in or about the Property and adjoining streets, sidewalks, passageways, parking lots and parking facilities operated in conjunction with the Property, such insurance to afford immediate minimum protection to a limit of not less than \$1,000,000 "Combined Single Limit" with respect to anyone occurrence; with excess coverage of not less than \$25,000,000 or in such amounts as Manager may recommend or as Owner may

further require;

- (v) Garage keepers liability insurance covering property damage losses for all automobile parking for consideration, in such amount as Manager may recommend or the Owner may further require, but in no event less than \$1,000,000;
 - (vi) Workers' compensation insurance, including employers' liability insurance in an amount of not less than \$500,000, for all employees of Manager engaged on or with respect to the Property;
 - (vii) Such other insurance and such other amounts of the insurance described above as may from time to time be required in writing by Owner, against the same or other hazards which, at the time, are commonly insured against in the case of similar first class properties and related improvements.
- B. At any time, Owner may notify Manager of required changes in or additions to the kind and/or amount of insurance coverage, in the insurance carrier or insurance agent writing or placing such insurance or with respect to any other matter covered by this Paragraph 16. Upon receipt of such notice, Manager shall promptly make the changes required; provided, however, that any new or changed insurance coverage shall be obtainable.
- C. Manager shall cause all such insurance to be placed at the expense of the Property with a company or companies approved by Owner. Manager shall cause copies of the insurance policies to be delivered to Owner promptly upon the issuance or renewal of each policy.
- D. From time to time, if deemed necessary or prudent by Manager, Owner, the "Full Replacement Cost" provisions of the insurance policies required by Paragraph 16 hereof shall be revalued by Manager, and Manager shall cause appropriate amendments to such policies to be made. Manager shall notify Owner of such reevaluations, appraisals and amendments to policies.
- E. Manager shall not obtain, carry or cause to be carried separate insurance concurrent in form or contributing in the event of loss with that required by Paragraph 16 hereof unless Owner, and Owner's Mortgagee(s), if any, are included therein as named insured. Manager shall immediately notify Owner whenever any such separate insurance is obtained and shall deliver to Owner a copy of the policy or policies.
- F. Manager shall promptly investigate all accidents, incidents, occurrences, and claims for and maintenance of the Property, and shall notify Owner of any extraordinary occurrence including a report of any injuries, and any damage to or destruction of the Property and the estimated cost of repair. Manager shall promptly and in the manner required by the appropriate policy or policies of insurance, file all claims and shall use its best effort to obtain payment therefore; provided, however, that Manager shall not conclude or compromise any disputed claim in excess of \$50,000.00 without the consent and approval of Owner.

17. Alteration

- A. Manager shall make no change or alteration in or addition to the Property or any part thereof involving, in the aggregate, at any one time, an estimated cost of more than \$50,000.00 (a "Major Alteration") without the prior written consent of Owner, except as provided for herein or as may already be set forth in the Property Budget.
- B. Manager shall contract and disburse for all tenant alterations of the Property on behalf of Owner and at the expense of the Property (as Owner may approve from time to time) or as set forth in the Property Budget in such a manner and shall do such other acts as may be reasonably required of Manager. Manager shall promptly notify Owner in writing of any liens on the Property of which Manager becomes aware.

18. Consent and Approvals

In any instance under this Agreement in which the consent or approval of Owner to any proposed action is required and if requested by Manager in writing, then such consent or approval shall be deemed to have been given by Owner unless written objection to the proposed action is sent to Manager by Owner within twenty (20) days after a second notice given by Manager by certified mail, return receipt requested, which second notice shall not be sent by Manager earlier than ten (10) days after the first notice.

19. Manager's Responsibility

Manager does not guarantee the payment of rental and other charges by the tenants, but will make every reasonable effort to collect same when and as they become due. Manager shall not be required to disburse funds on behalf of the Owner for any reason whatsoever if there are not sufficient funds in the Trust Account or other Account(s). The Manager will, however, notify Owner in writing when there are insufficient funds in the Trust Account or other Account(s) and Owner agrees to remit funds from Owner's account necessary to pay budgeted expenses or other authorized expenses within ten (10) days after receipt of said notice.

20. Delivery of Documents and Notices

- A. All documents to be delivered and all notices to be given by any party to this Agreement shall be given by personal delivery, by telex, by telegram, or cablegram, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To Manager:

To Owner:

William A. Thielen, Esq.
Chief Operating Officer
Kentucky Retirement Systems
1260 Louisville Road
Frankfort, KY 40602

- B. The above addressees may be changed for future communications or delivery of notice hereunder by giving notice of such change to the others listed above in the manner prescribed by this paragraph.

21. Representations and Warranties

A. Owner hereby represents and warrants to Manager that:

- (i) It is a corporation duly formed, validly existing and in good standing in the State of Kentucky;
- (ii) It has been duly authorized by Owner to enter into this Agreement with respect to the Property; and
- (iii) This Agreement has been duly authorized, executed and delivered and represents the valid and binding obligation of Owner enforceable in accordance with its terms.

B. Manager hereby represents and warrants to Owner that:

- (i) It is a _____, validly existing, and in good standing.
- (ii) It is, and will continue to be throughout the term of this Agreement, in full compliance with any applicable state and local laws and ordinances relating to the business of managing and leasing commercial real estate, including any licensing requirements;
- (iii) This Agreement has been duly authorized, executed and delivered and represents the valid and binding obligation of Manager, enforceable in accordance with its terms; and
- (iv) Manager will perform all of its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing appropriate for the person professionally engaged in the management and leasing of commercial real estate comparable to the Property.

22. Term

- A. The term of this Agreement shall be from the effective date hereof until terminated either by Owner or Manager upon not less than thirty days prior written notice to the other party.
- B. Upon termination of this Agreement, Manager shall deliver to such party as Owner shall designate possession of the Property and all leases, contracts, agreements, insurance policies, records, correspondence and all other items relating to the Property in its possession.
- C. In the event of termination of this Agreement, Manager shall be entitled to receive its compensation computed under Paragraph 15 through the effective date of termination, or, if such date is *not* the last day of a month, on a pro rata basis for the month in which the effective date occurs.

23. Compliance with ERISA

- A. Manager hereby acknowledges and agrees that it is a fiduciary as defined in Section 3(21) (A) (i) of ERISA with respect to the portion of the Property which constitutes assets of one or more employee benefit plans subject to ERISA (the "Plans"). Subject to the remaining provisions of this Paragraph 24, Manager will comply with all applicable provisions of ERISA in performing its duties under this Agreement.
- B. Owner shall periodically furnish Manager with lists of all persons who are "parties in interest" as defined by Section 3(14) of ERISA or "disqualified persons" as defined by Section 4975 of the Internal Revenue Code (the "Code") with respect to any of the Plans, as such lists are provided to Owner by such plans. Manager shall not enter into any lease, agreement for the provision of goods or services, or other transactions with any of such persons without the specific written approval of Owner.
- C. Manager shall not enter into any agreement for the provision of services to or for the benefit of the Property unless (i) the service is appropriate and helpful in the preservation and operation of the Property; (ii) no more than reasonable compensation is paid for such services; (iii) the agreement is terminable without penalty to the Property on reasonably short notice; and (iv) the agreement otherwise meets all requirements of Section 408(b) (2) of ERISA and Section 4975 (d) (2) of the Code.
- D. Manager's responsibilities under ERISA shall be limited to performing its specific duties under this Agreement in accordance with Section 404(a) (1) (B) of ERISA and complying with the provisions of this Paragraph 24. Manager shall have no responsibility to determine the prudence of the Plans' investment in the Property or the effect of such investment on the diversification of the Plans' assets; or otherwise to

administer the Plans or their assets other than the Property. It is the intention of the parties that this Paragraph 24 constitutes an allocation of fiduciary responsibilities for purposes of Section 405 (c) of ERISA

24. Status of Owner

Owner and each entity which owns any portion of the beneficial interest in Owner (including any shareholders of any title-holding corporation) shall be considered third party beneficiaries of this Agreement.

25. Limitation on Assignment

Neither party may assign any of its rights or duties under this Agreement to any other person without the express written consent of the other party.

26. Employees

All persons employed by Manager with respect to the Property shall be employees of Manager. Manager shall be solely responsible for the compensation of all employees, and for complying with all applicable laws regarding worker's compensation, disability, payroll and withholding taxes, and other employment matters, subject to its right to be compensated for the cost thereof as provided in this Agreement.

27. Entire Agreement: Amendments and Waivers

This Agreement constitutes the entire agreement between the parties with respect to the management of the Property and supersedes all prior agreements and understandings.

28. Severability

If any provision of this Agreement shall ever be held unenforceable or void, the remaining provisions of this Agreement shall be construed as though such provision were not contained herein.

29. Governing Law

This Agreement has been executed and delivered in, and shall be construed in accordance with the laws of the State of Kentucky.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers, as of the date first above written.

MANAGER:

KRS PERIMETER PARK WEST, INC.

By:_____

By:_____

Its:_____

Its:_____